Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

PAGE 01 STATE 123399
ORIGIN NEA-02

INFO OCT-01 EUR-01 ISO-00 SNM-01 /005 R

66011
DRAFTED BY: NEA/PAB:MAUSTRIAN
APPROVED BY: NEA/PAB:PWLANDE
S/NM:MCHESHES (SUBS)
EUR/CAN:DBLAKEMORE(SUBS)
----------030739Z 048467 /13
R 021338Z JUN 77
FM SECSTATE WASHDC
TO AMEMBASSY OTTAWA

LIMITED OFFICIAL USE STATE 123399

FOLLOWING REPEAT STATE 123399 SENT ACTION KABUL INFO ISLAMABAD
27 MAY 77

QUOTE LIMITED OFFICIAL USE STATE 123399

AIDAC - ISLAMABAD FOR RLA ZARR

E.O. 11652: N/A

TAGS:

SUBJECT: POPPY PRODUCTION AND A.I.D. PROGRAMS

REF: (A) KABUL 3110; (B) STATE 97251; (C) KABUL 2732;
AND (D) KABUL 2770

1. AID/W CONCURS WITH MISSION THAT STRONGER ACTION NOW
REQUIRED TO DISCOURAGE POPPY PRODUCTION IN AID-FUNDED
PROJECT AREAS OR BY BENEFICIARIES OF U.S. ASSISTANCE. OUR
GENERAL VIEW ON INSERTING STANDARD ANTI-POPPY CLAUSES IN
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PROJECT AGREEMENTS IS A) ACTION REQUIRED SHOULD BE
WITHIN AUTHORITY AND CAPABILITY OF SIGNATORY AGENCY AND
PROJECT IMPLEMENTOR(S) TO IMPLEMENT, AND B) ACTION REQUIRED
ON ELIMINATING POPPY PRODUCTION SHOULD RELATE DIRECTLY TO
THE SPECIFIC PROJECT AND ITS BENEFICIARIES. LARGER
QUESTION OF HOST COUNTRY NARCOTICS POLICIES WHICH MAY
REQUIRE ACTION BY OTHER GOA AGENCIES ARE NOT APPROPRIATE
MATTERS FOR INCLUSION IN INDIVIDUAL PROJECT AGREEMENTS
WITH USAID COUNTERPART AGENCIES IN GOA.

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2. EACH OF THE TWO CASES IN WHICH YOU PROPOSE TO INSERT ANTI-POPPY CLAUSES--THE HELMAND VALLEY PROJECT AGREEMENT AND THE AGRICULTURE CREDIT GRANT AGREEMENT--PRESENTS A SOMEWHAT DIFFERENT SITUATION. IN CASE OF HELMAND VALLEY,

PRESUMABLY HAVA AND MWP HAVE CONSIDERABLE PERSUASIVE LEVERAGE OVER FARMERS PARTICIPATING IN PROJECT AND CERTAINLY SHOULD BE ABLE TO MONITOR POPPY PRODUCTION. WE DOUBT, HOWEVER, WHETHER MWP/HAVA WOULD BE ABLE TO AGREE TO REMOVE OPIUM POPPIES SUBSEQUENTLY FOUND GROWING, SINCE THIS ACTION WOULD REQUIRE INTERCESSION OF GOA LAW ENFORCEMENT AGENCIES, AND WOULD, THEREFORE, BE BEYOND MWP/HAVA AUTHORITY TO IMPLEMENT AS SIGNATORIES TO AGREEMENT.

3. IN CASE OF AG CREDIT PROGRAM, AG BANK CERTAINLY COULD INFORM POTENTIAL BORROWERS THAT THEY WOULD BE INELIGIBLE FOR LOANS IF THEY GROW POPPIES, AND LANGUAGE COULD BE INCLUDED IN LOAN AGREEMENTS REQUIRING IMMEDIATE RECALL OF THE LOAN IF OPIUM POPPIES SUBSEQUENTLY FOUND GROWING ON THE BORROWER'S LAND. WE QUESTION HERE, HOWEVER, THE AG BANK'S ABILITY TO COLLECT PROMPTLY ON SUCH SHORT-TERM LOANS. WE WONDER IF IN FACT THE RISK TO THE FARMER IS NOT SO MINIMAL, BOTH IN TERMS A) OF BEING CAUGHT AND B) OF HAVING HIS TWELVE-MONTH LOAN REPAYMENT PERIOD SHORTENED TO ANY SIGNIFICANT DEGREE (TAKING INTO ACCOUNT TIME
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REQUIRED BY AG BANK TO FILE CLAIM, ETC.), THAT IMPACT ON POPPY PRODUCTION WOULD BE INSIGNIFICANT.

4. ON A PRACTICAL LEVEL, SUGGEST WE NOT REQUIRE A REFUND IN CASE OF NON-COMPLIANCE BY THE GRANTEE WITH ANII-POPPY CLAUSES IN AGREEMENTS. UNLESS WE ARE PREPARED TO REQUIRE REFUND OF ENTIRE GRANT FOR ANY INCIDENCE OF NON-COMPLIANCE, COMPUTING AMOUNT OF CLAIM AND NEGOTIATING SAME WITH GOA SIGNATORY AGENCIES WOULD UNDOUBTEDLY BE A PROTRACTED, DIFFICULT PROCESS. RATHER THAN REQUIRING REFUND(S) FOR NON-COMPLIANCE, WE BELIEVE IT WOULD BE MORE EFFECTIVE TO WITHHOLD OR SUSPEND FUTURE PROJECT DISBURSEMENTS.

5. WE RECOMMEND, THEREFORE, SOME REVISION IN LANGUAGE PROPOSED BY REFTEL C WHICH WOULD HAVE THE FOLLOWING EFFECTS. IN THE CASE OF THE HELMAND VALLEY PROJECT, THE PROJECT BENEFICIARIES WOULD BE INFORMED OF THE ANTI-POPPY BAN IN THE PROJECT AREA. WHILE WE WOULD NOT REQUIRE MWP/HAVA TO AGREE IN THE PRO AG TO REMOVE POPPIES SUBSEQUENTLY DISCOVERED (THEY PROBABLY DO NOT HAVE THAT AUTHORITY); IN RECOGNITION OF THEIR PERSUASIVE AUTHORITY IN THE PROJECT AREA, WE WOULD SIMPLY INFORM MWP/HAVA OF OUR INTENTION TO SUSPEND OR CANCEL ANY OR ALL DISBURSE-

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MENTS FOR LOCAL CURRENCY COSTS UNDER OUTSTANDING COMMIT-
MENT DOCUMENTS PURSUANT TO SECTION 7.2 OF THE AGREEMENT.
FUTURE COMMITMENT DOCUMENTS WOULD NOT BE SIGNED UNTIL WE
ARE SATISFIED THAT EVERY EFFORT HAS BEEN AND WILL BE MADE
TO PROHIBIT POPPY PRODUCTION IN THE PROJECT AREA.

6. IN THE CASE OF AG BANK, WHICH WOULD HAVE MINIMAL
ABILITY TO MONITOR FOR VIOLATIONS, AND LIMITED PERSUASIVE
AUTHORITY AS AN INSTITUTION PROVIDING SHORT-TERM CREDIT
NATIONWIDE, WE SUGGEST THAT BANK WRITE INTO LOCAL AGREE-
MENTS LANGUAGE THAT WOULD INFORM BORROWER OF HIS FUTURE
INELIGIBILITY FOR AG CREDIT FOR A FIXED PERIOD (PERHAPS
THREE YEARS) IF POPPIES SUBSEQUENTLY DISCOVERED GROWING
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ON HIS LAND. BELIEVE EXCLUSION FROM PROGRAM IN FUTURE
WOULD HAVE GREATER PERSUASIVE POWER ON A FARMER THAN LOAN
RECALL. FAILURE OF AG BANK AND/OR GRANTEE TO IMPLEMENT
CLAUSE WOULD BE CAUSE FOR A.I.D. TO SUSPEND DISBURSEMENTS
UNDER DOLLARS 5 MILLION AG CREDIT PROGRAM AND/OR DENY
CONSIDERATION OF FUTURE CREDIT GRANTS TO THE GOA AND
LENDING INSTITUTIONS.

7. SUGGESTED LANGUAGE IS AS FOLLOWS:

(A) FOR AG CREDIT PROGRAM:

THE BANK AGREES TO REQUIRE A CERTIFICATION BY THE
BORROWER THAT THE BORROWER WILL NOT GROW OPIUM POPPIES.
THE BANK FURTHER AGREES TO INFORM APPLICANTS FOR CREDIT,
AND TO INCLUDE IN LOAN AGREEMENTS, WORDING TO THE EFFECT
THAT IF IT IS DETERMINED THAT OPIUM POPPIES ARE BEING
GROWN BY A BORROWER, THE BORROWER SHALL BE INELIGIBLE FOR
FUTURE CREDIT FROM THE BANK FOR A PERIOD OF THREE YEARS.
FAILURE BY THE BANK TO COMPLY WITH THIS OBLIGATION
WILL BE CAUSE FOR A.I.D. TO SUSPEND FUTURE DISBURSEMENTS
TO THE GRANTEE UNDER THIS AGREEMENT AND/OR DENY FUTURE
AG CREDIT GRANTS TO THE GOA AND AG CREDIT LENDING
INSTITUTION.

(B) FOR HELMAND VALLEY:

THE GRANTEE AGREES TO INFORM FARMERS IN THE PROJECT AREA
IN ADVANCE OF PROJECT IMPLEMENTATION THAT OPIUM POPPIES
MUST NOT BE GROWN IN THE PROJECT AREA. IF IT IS
DETERMINED THAT POPPIES ARE BEING GROWN IN THE PROJECT
AREA, A.I.D., IN ADDITION TO THE REMEDIES PROVIDED FOR IN
ARTICLE D OF THE STANDARD PROVISIONS ANNEX, MAY SUSPEND
OR CANCEL OUTSTANDING COMMITMENT DOCUMENTS ISSUED
PURSUANT TO SECTION 7.2 GIVING PROMPT NOTICE THEREOF TO
THE GRANTEE. A.I.D. MAY DECLINE TO ISSUE ADDITIONAL

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COMMITMENT DOCUMENTS PURSUANT TO SECTION 7.2 UNTIL SUCH TIME AS A.I.D. IS SATISFIED THAT EVERY EFFORT HAS BEEN AND WILL BE MADE TO PROHIBIT POPPY PRODUCTION IN THE PROJECT AREA.

8. DISCUSSIONS WITH IBRD WITH RESPECT TO INSERTING ANTI-

OPIUM POPPY LANGUAGE IN THE IDA CREDIT ARE BEING HANDLED THROUGH STATE/TREASURY CHANNELS AND THE U.S. EXECUTIVE DIRECTOR AT IBRD. WILL ADVISE RESULTS SEPARATELY. IN ANY CASE, PROPOSED LANGUAGE WE SUGGEST BE INCLUDED IN OUR AG CREDIT AGREEMENT WITH GOA IN PARA 7 (A) ABOVE, IF ACCEPTED BY GRANTEE AND AG BANK, WOULD AFFECT ENTIRE AG BANK CREDIT PROGRAM. FALL BACK POSITION MIGHT BE TO LIMIT CLAUSE TO SMALL FARMER FERTILIZER AND SEED COMPONENT WHICH WE ARE FINANCING.

9. WE KNOW OF NO OTHER EXPERIENCE IN OTHER USAID'S OF SIMILAR LANGUAGE INCLUDED IN PROJECT AGREEMENTS. BELIEVE SPREAD OF POPPY PRODUCTION INTO MAJOR AGRICULTURAL AREAS AND RECENT INCREASES IN PRODUCTION, HOWEVER, PLACE AFGHANISTAN IN SPECIAL SITUATION REQUIRING MORE DIRECT APPROACH ON OUR PART. APPLAUD MISSION EFFORT IN THIS REGARD AND WOULD APPRECIATE YOUR REACTION TO APPROACH PROPOSED IN THIS TELEGRAM.

DECONTROL MAY 20, 1978. VANCE

UNQUOTE VANCE

<< END OF DOCUMENT >>

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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
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Concepts: OPIUM, DRUG CONTROL, AGRICULTURAL PRODUCTION
Control Number: n/a
Copy: SINGLE
Sent Date: 02-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Enclosure: n/a
Executive Order: N/A
Errors: n/a
Expiration:
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Line Count: 200
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Message ID: e7209e73-c288-dd11-92da-001cc4696bcc
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Original Classification: LIMITED OFFICIAL USE
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